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Background note

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Abstract:

This note summarises the current state of EU-Israeli relations indicating the main domestic and international challenges to Israel, with a particular emphasis on the regional situation in the Middle East.

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The EU-Israel relationship

An **Association Agreement** has formed the legal basis of EU-Israeli relations since 2000. The **ENP Action Plan** for Israel entered into force in April 2005. The infrastructure for its implementation is in place with ten sub-committees dealing with the technical aspects of Action Plan commitments. There is a proposal to upgrade the current working group on human rights to a sub-committee.

At the Association Council on 5 March 2007, Israel suggested to **significantly upgrade its relations with the EU**. Subsequently, a reflexion group including the Commission, the Council Secretariat, the EU Presidency and Israel was set up determine the existing and new areas in which cooperation between Israel and the EU would be enhanced.

The **Association Council on 16 June 2008** announced an **upgrading of EU-Israel relations** in three areas including 1) institutionalisation of the diplomatic dialogue between the Israeli and EU leaderships, notably by means of regular annual meetings on a senior level; 2) Israel's participation in European programmes and agencies; and 3) examination of possible Israeli integration into the European single market.

Initiatives to link the upgrading of EU-Israel relations to an Israeli stop of settlement construction and advancing talks with the Palestinians were successfully turned down. While Israel falls short of fulfilling its obligations under the Road Map, different calls including diplomatic efforts from Egypt and a letter of Palestinian PM Fayyad urging the EU not to boost relations with Israel at this very moment, did not yield results. The EU released a general statement calling on Israel to make progress in its negotiations with the Palestinians. In the Israeli media, the Association Council meeting appeared as an almost imminent kick-off of an upgraded relationship with the EU. However, the details on how to accomplish the fixed goals and the timeframe are subject to further negotiations which are to be held under the French and Czech Presidencies.

Bilateral relations have already made considerable headway. Israel is the first and only non-European country fully associated with the EU's **Framework Programmes for Research and Technological Development** (since 1996). Israel is an active member in these Programmes and has proved to be a source of innovation in both basic and market-oriented research conducted in Europe. Under the EU-Israel agreement for the **7th Framework Programme for RTD** signed in July 2007, Israel will contribute around €440 million to the overall FP7 budget of over €50 billion. Israeli researchers will be able to participate in all calls for proposals under FP7 on an equal footing with researchers from the EU member states. The EU is now Israel's second biggest source of research funding. Israel is to take part in the Framework Programme for Competitiveness and Innovation and in several other upcoming Community programmes. Israel is also involved in the Galileo programme for satellite navigation.

The EU is currently Israel's main trading partner; more than 30% of Israel's exports are to the EU and 40% of its imports come from the EU. EU-Israel trade is increasing by around 4% per year. **Talks** have begun on the **liberalisation of the services trade**, and **others are foreseen on farm trade and fisheries**. Negotiations on a **horizontal agreement on air transport** were launched.

Another dimension is the **strengthening people to people contacts and exchanges** between civil society, university researchers and local authorities; business people, artists and young people. Israeli students already participate in the Erasmus Mundus exchange programme (an increase of over 70% in 2007/2008 over the previous period) and will be able to participate in TEMPUS IV education programmes. In addition, there is a new scholarship programme open to

Israeli students. The EU will finance scholarships for students from ENP countries to attend a course at the College of Europe.

Whereas **Israel** was not eligible for bilateral assistance under MEDA, but has been involved in a wide variety of EuroMed Programmes initiated under MEDA, it is **now for the first time eligible for European Community financial cooperation**. However, the budgetary allocations for Israel reflect its status as a developed economy. A small envelope (€ 8 million under the 2007-2010 National Indicative Programme) supports the implementation of acquis-related activities through twinning. Israel is also eligible for cooperation activities, financed under the European Neighbourhood and Partnership Instrument (ENPI) multi-country and regional programmes and the ENPI Cross Border cooperation component.

The European Investment Bank is renewing its activities in Israel, starting with €275 million of loans for environmental projects and small and medium-sized businesses.

In the field of **justice and home affairs**, Israel has obtained the status of “active observer” in the Council of Europe Select Committee of Experts on the Evaluation of **Anti-Money Laundering** Measures (Moneyval) and expressed interest in becoming a full member. Work on negotiating an **operational agreement with Europol** is still under way. On **combating terrorism**, an **exchange of views** took place in the area of **protection of critical infrastructure**.

Peace negotiations

Following Olmert's announcement to quit once Kadima has chosen a new leader in September, Israel is likely to face months of political introspection, taking off leeway for any government leader to make tangible concessions to the Palestinians. An illustration is the peace offer which Olmert unveiled in August: Israel would keep 7 percent of the West Bank, with a border similar to the present route of the separation barrier¹. In exchange, the Palestinians would receive a territory adjacent to the Gaza Strip equivalent to 5.5 percent of West Bank and enjoy free passage between Gaza and the West Bank without any security checks. The passage would compensate for the land swap difference of 1.5 percent. Israel would immediately receive the settlement blocs, but the land to be transferred to the Palestinians and the free passage between Gaza and the West Bank would only be delivered after the PA retakes control of the Gaza Strip. Olmert further demands that the Palestinian state be demilitarised and without an army. In contrast, the Palestinians want their security forces to be capable of defending against outside threats. On the refugee issue, Olmert rejects a Palestinian right of return, but proposes a detailed and complex formula for solving the refugee problem.

Olmert's proposal which falls between the one Barak presented to Arafat at Camp David in July 2000 and the one he offered at Taba in January 2001 was immediately rejected by President Abbas as unacceptable.

Under these circumstances, the achievement of a peace accord by the end of 2008 is unrealistic. What is worse, there is no practical chance of reaching an overall understanding on Jerusalem as the core issue. Pending a deal on Jerusalem, Olmert had already proposed a joint Israeli-Palestinian "mechanism" to continue negotiations on the future of the city in next year. Negotiators Livni and Qureia agree that talks should reach a point where they can survive changes of government on all sides, including in the United States. Reportedly, Livni and Qureia are discussing ways to continue the talks through 2009. One idea is to use the November Moscow Conference on the Middle East to announce talks in 2009.

¹ Israel would keep Ma'aleh Adumim, Gush Etzion, the settlements surrounding Jerusalem and some land in the northern West Bank adjacent to Israel.

Against this background, the Israeli think tank Reut Institute warns that without a political breakthrough, there is a possibility that Palestinians invert their positions towards a Two-State-Solution before January 2009 and demand instead the establishment of one state in all of 'Mandatory Palestine' on the basis of 'one man one vote'. The adoption of the One State Solution as the alternative strategy for the Palestinian National Movement would indeed constitute an earthquake for the political orthodoxy which has been dominating the narrative since Oslo.

Occupied Territories

The basic patterns of occupation remain unchanged. The **West Bank Barrier** - a structure that has been judged to be illegal under international law - forms part of the security measures Israel has identified as necessary to protect Israeli citizens living both in Israel and in West Bank settlements.¹ With 57% of the Barrier completed, it is now some 409 kilometres long. Over 230 square kilometres (or 15%) of the West Bank's most productive agricultural land has already been isolated by the wall.

The Israeli defence establishment has recently agreed to dismantle a 2.4-kilometre stretch of the separation barrier north of Qalqilyah which will be replaced by 4.9 kilometres of barrier closer to the Green Line. The move which implements a decision of the High Court of Justice will return 2,600 dunams of agricultural land to its Palestinian owners. Since the new Israel Defence Forces Chief of Staff Gabi Ashkenazi came into office, the IDF has indeed been much less involved in determining the route of the barrier.

Contrary to the Roadmap commitments reiterated in Annapolis, the **closure regime** in the Occupied Territories has even hardened. The number of physical barriers in the West Bank rose to 607 (April 2008). Scarce cases of removing obstacles were coupled with the setting up of dozens of new ones. Former U.S. President Jimmy Carter attracted Israeli ire portraying this situation as "instances of apartheid worse even than those that once held sway in South Africa".

In the light of the sluggish peace negotiations, there is wide international consensus on criticising **Israeli settlement expansion in the Occupied Territories** and infrastructure construction to benefit settlements. As a fact, **since Annapolis, 9,700 housing units have been announced** for settlers in the West Bank and East Jerusalem, compared with 1,600 in the previous four years. The Israeli government does not regard settlements on West Bank land that it annexed and placed within expanded Jerusalem city limits as being part of the West Bank. In July 2008 Knesset member Hanna Suweid from the Democratic Front for Peace and Equality revealed that the Israeli authorities are threatening to demolish more than 15,000 Palestinian homes in occupied Jerusalem considered as unlicensed construction.

"Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem, are illegal and an obstacle to peace and to economic and social development [... and] have been established in breach of international law."
International Court of Justice
Ruling, July 9, 2004

Plans were announced in July 2008 to built 20 homes in a new settlement to be called Maskiot in the Jordan valley. This would be the first settlement to be built since nine years. The project roots in the discontent of settlers who had to give up their homes in Gaza during the Israeli disengagement in August 2005 and have not found adequate housing so far. The French EU Presidency has strongly deplored these plans saying that if they are confirmed by the government they "will further serve to undermine the credibility of the ongoing diplomatic process and signal worrying indifference to repeated calls from the international community on this matter."

¹ All following figures: UN office for the coordination of humanitarian affairs (OCHA).

Figures of the Ministry of the Interior show that the West Bank settler population grew by 15,000 in 2007, a rise of 5.5% compared to 1.8% among the Jewish population in Israel. "Peace Now" states that the Israeli bill for settlements and their protection amounts to \$50 billion spent since 1967.

With a **fragile truce holding in Gaza since 19 June, Israel has turned its attention to undercutting Hamas's** social services network **in the West Bank** hoping to keep the group from seizing power there, much as it did in Gaza last year. In a broad crackdown IDF closed down commerce, schools, charities, orphanages, health centres, media organisations and mosques. Palestinians complain that this undercuts the Palestinian Authority which is unable to quickly replace the services provided by Hamas. The **damage is especially severe in Nablus**, which has become the main focus of the IDF crackdown, because the city is supposed to be a model of Palestinian autonomy. Indeed, since Palestinian Authority forces took over the control of security in Nablus late last year, public order has significantly improved.

Political violence

Besides the protracted firing of rockets on Sderot and Ashkelon which has almost entirely come to a halt since the cease fire of 19 July, this year has seen attacks on Israelis in Jerusalem: the shooting of eight people at a religious school (yeshiva) in March and two bulldozer incidents killing people in July. These attacks were carried out by Palestinians not connected to any militant group and by means which are as easily available as they are difficult to control or monitor.

The suggestions of actions to be taken in reaction to these attacks remain unsurprisingly conventional: calls to pass laws allowing the government to enact collective punishment against the families of perpetrators of terrorist attacks. In addition to home demolition, withholding the social benefits due to attackers and their families is a common idea. Others call for Israel to sever the perpetrators' neighbourhoods from Jerusalem with a security barrier and revoke the residency status of these villages. All this points the conceptual difficulties of dealing with diffuse forms of threat and to the limits of physically isolating potential sources of terror. For the Palestinians in areas of Jerusalem seized in 1967 who have come again under general suspicion, these attacks have reinforced their precarious status.

To counter politically motivated violence against and ill-treatment of Palestinians, the Israeli human rights organisation B'Tselem has started a project called "Shooting Back." The group has supplied almost 100 video cameras to vulnerable Palestinian communities in the Occupied Territories (mainly in Hebron and in the northern West Bank) to document and gather evidence of assaults and abusive behaviour – largely by settlers. Abusive behaviour of the occupation forces and settlers is widely ignored by the Israeli public opinion, which, in turn, has been shocked by the recent publication of footages showing single cases of violence. According to the Israeli human rights organisation Yesh Din, the Israeli army did not follow up 94% of the complaints filed by Palestinians regarding violations committed by military personnel against them.

Diplomatic thaw with Syria

Pending progress on the Palestinian track, there is real hope for improvement in relations between Israel and Syria. With the categorical US opposition to any Syrian-Israeli rapprochement dropped, indirect talks were resumed under Turkish mediation in May 2008 and stand already at the fourth round. A strong sign of Syria's will to move ahead and eliminate major obstacles in the bilateral relationship is the removal of Hamas political leader Khaled Meshal who has left Damascus to live in Sudan. Talks between Syria and Israel have also created a certain air of detente between the EU and Syria.

However, Syria is ultimately seeking US sponsorship for a final agreement. Hence, a breakthrough in direct peace talks is unlikely to occur before the new US administration takes office. At the core of a deal is the restitution of the Golan Heights which Israel has been occupying since 1967, but also issues such as borders, water rights, security, and normalisation of ties.

An innovative approach to a solution would be the Golan Peace Park Project promoted by former director of the Israeli Foreign Ministry Alon Liel. It proposes transforming the Golan into a weapon free natural reserve under Syrian sovereignty while safeguarding its tourist infrastructure to the benefit of both people. However, the project still lacks senior political sponsors.

Alon Liel, together with US-Syrian businessman Ibrahim Abe Suleiman had been involved in secret peace talks between September 2004 and July 2006 where the fundamentals of a deal were settled. The previous official attempt to achieve a peace agreement dates back to 2000 but broke down over control of the shore of Sea of Galilee, from which Israel takes much of its water.

Lebanon and implementation of UNSCR 1701

According to Security Council Resolution 1701, which ended the Second Lebanon War, Israel was to withdraw its forces from the northern part of the village of Ghajar which is in Lebanese territory. Ghajar, located between the Upper Galilee and the Golan Heights, was annexed to Israel in 1981 together with the Golan Heights, and its inhabitants received Israeli citizenship. After the IDF's withdrawal from Lebanon in 2000, the UN determined that the border between Israel and Syria crossed the village, and that Israel, which holds the Golan Heights, could operate only in the southern part of the village. However, according to the UN, the IDF frequently operates in the northern part of the village, beyond the international border, on the grounds that the village has become a centre for smuggling and infiltration of criminal elements from Lebanon to Israel, along with Hezbollah agents.

The new Lebanese government has now delivered written assurances that UNIFIL would be given security and civilian control over the northern part of the Ghajar. Subsequently, Israel changed its stance and declared ready to pull-out.

Protracted domestic leadership crisis

Fragmentation and weak leadership are key features of the Israeli governance system. A low electoral threshold—presently 2% forces governments to build politically over-stretched coalitions giving de facto veto power to the most extreme fringes of the political spectrum.

The incumbent government has been suffering lack of public confidence since the war against Lebanon. The misconduct of this war indeed had in large part sealed PM Olmert's destiny, when the subsequent corruption charges came only to accelerate his demise. Hence Olmert's announcement that he would step down once Kadima has chosen a new leadership did not come as a surprise. Kadima primaries are to take place on 17 September and oppose four leadership candidates - Foreign Minister Tzipi Livni, Transportation Minister Shaul Mofaz, Public Security Minister Avi Dichter and Interior Minister Meir Sheetrit.

If Olmert's successor as party leader can form a coalition, Israel could have a new government in October. However, in the likely scenario that the victor in the primary was unable to form a government, Olmert would remain prime minister until the next general election. Then the process could extend into 2009. Likud party leader Benjamin Netanyahu, who has consistently led in the polls for the past two years, clearly sees his advantage in early elections rather than in entering a coalition government with the new Kadima leader. So far, only one poll conducted

the day after Olmert's pledge to step down indicates that Livni might have enough support to defeat Netanyahu. Yet, Netanyahu can count on powerful media support which Livni is lacking. Among them, the free daily Israel Hayom financed by Jewish US businessman Sheldon Adelson, which has been a shooting star to become Israel's second daily newspaper.

Against this volatile background Israeli politics as much as the peace prospects are plunged into limbo. Although Olmert has vowed to keep up with peace-making, as a caretaker prime minister he would lack the political strength to make commitments, either in final-status talks with the Palestinians or in negotiations with Syria.

Recent Knesset activities related to the Israeli-Palestinian conflict

On 1 July 2008, the Knesset approved by preliminary reading a **new law linking any withdrawal from the occupied Palestinian and Arab territories to a referendum or an approval; by a minimum of two thirds Knesset majority**. Similar hurdles exist on the Palestinian side. Ahead of the Annapolis conference, President Abbas announced that he would put any political agreement reached with Israel to a national referendum and to the decision of the National Council.

The Knesset also approved another **law on 1 July barring any resident who visited a “hostile state” from running for Knesset elections**. This law is seen as tailor-made to target Arab MK's who visited Syria and Lebanon. In the same vein, the Knesset had passed a law in July 2006 allowing the expulsion of any “disloyal” MK who “supports terror organisations”.

For the first time, a **parliamentary group dealing with the rehabilitation of Palestinian refugees** was launched in the Knesset. The new lobby, which is chaired by MPs Amira Dotan (Kadima) and Benny Elon (NU/NRP), is made up of parliamentarians from across the political spectrum, including lawmakers from Labor, the Likud and Shas. No Arab MKs have joined the group so far. The move came amid a groundswell of parliamentary activity around the world, including in the US and Canada, to reroute funding from UNRWA the resettlement of some of the refugees and their descendants in other countries.

The difference between UNRWA and UNHCR has indeed been a thorn in Israel's flesh for a long time. While the UNRWA's 25,000-strong, almost exclusively Palestinian staff cares for 4.5 million Palestinian refugees and their descendants, the UNHCR employs a staff of about 6,300 people to help nearly 33 million people in more than 110 countries. Beyond this consensus, however, views diverge substantially within the group going from right-wing MK Elon who proposes dismantling UNRWA and resettling the Palestinian refugees in countries outside of Israel, and Labor MK Colette Avital who commends UNRWA for its humanitarian work.

Activities of the European Parliament

President Pöttering visited Israel at the end of May 2007 addressing the Knesset.

The last Interparliamentary Meeting with the Knesset took place in Jerusalem on 28 October- 2 November 2007.

An ad hoc Delegation of the EP's Working Group on the Middle East visited Israel and the Occupied Territories from 30 May to 2 June.